

# SENATE BILL REPORT

## SSB 6851

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As Amended by House, March 12, 2008

**Title:** An act relating to the documentation required in order to obtain a real estate excise tax exemption at the time of inheritance.

**Brief Description:** Concerning the documentation required in order to obtain a real estate excise tax exemption at the time of inheritance.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Prentice and Haugen).

**Brief History:**

**Committee Activity:** Ways & Means: 2/4/08, 2/7/08 [DPS].

Passed Senate: 2/19/08, 47-0.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6851 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

**Staff:** Dean Carlson (786-7305)

**Background:** The real estate excise tax (REET) is imposed on each sale of real property, which includes both the transfer of ownership and the transfer of controlling interests. Real property includes any interest in land or anything affixed to land. The state tax rate is 1.28 percent. Additional local rates are allowed. The combined state and local rate in most areas is 1.78 percent or less.

There are several exemptions allowable from the real estate excise tax. One exemption is for individuals that inherit real property. Under current Washington Administrative Code, the exemption from the real estate excise tax is allowed for inherited property when the following documentation is provided along with a certified copy of the death certificate:

- 1) a community property agreement;
- 2) a trust agreement;
- 3) if transferred under the terms of probate, a certified copy of the letters testamentary or letter of administration;

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- 4) in the case of joint tenants with right of survivor ship a certified copy of the death certificate; or
- 5) a copy of a court order requiring the transfer.

**Summary of Substitute Bill:** A surviving spouse may receive an exemption from the real estate excise tax without the required documents if the surviving spouse shows a certified copy of the death certificate and signs an affidavit affirming that the surviving spouse is the sole and rightful heir to the property.

Additionally, the current documentation required under Washington Administrative Code is codified.

**Appropriation:** None.

**Fiscal Note:** Requested on January 29, 2008.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Substitute Bill:** PRO: Our association is in strong support of this bill. It is very difficult to tell someone when they have just lost a spouse that they are going to have to pay real estate excise tax, on property they already own, just because they don't have the right legal document. The reality is these people are just trying to get the title to the property straightened out. Department of Revenue supports this bill and thinks it is a sensible change.

**Persons Testifying:** PRO: Robin Hunt, Washington State Association of County Treasurers; Rose Bowman, Lewis County Treasurer; Gil Brewer; Department of Revenue.

**House Amendment(s):** The house amendment allows a surviving domestic partner, in addition to a surviving spouse, to obtain a real estate excise tax exemption on community property transfers.